

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name WEST MICHIGAN REGIONAL PLANNING	County KENT
Fiscal Year End 09/30/06	Opinion Date 10/19/06	Date Audit Report Submitted to State 12/13/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	NONE NOTED		
Other (Describe)	<input type="checkbox"/>	NONE NOTED		
Certified Public Accountant (Firm Name) BRICKLEY DELONG		Telephone Number (231) 726-5800		
Street Address TERRACE PLAZA SUITE 500		City MUSKEGON	State MI	Zip 49443
Authorizing CPA Signature <i>Timothy D. Arter, C.P.A. for Brickley De Long, PLLC</i>		Printed Name TIMOTHY D. ARTER		License Number 10253

West Michigan Regional Planning Commission

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended September 30, 2006

West Michigan Regional Planning Commission

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West Michigan Regional Planning Commission

Management's Discussion and Analysis

As management of the West Michigan Regional Planning Commission, we present to the readers of the Commission's financial statements this overview and analysis of the financial activities of the West Michigan Regional Planning Commission for the fiscal year ended September 30, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The Commission's net assets decreased by \$10,414 (10.5%) from \$98,901 to \$88,487.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The basic financial statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Commission's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission has one category of funds—governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The West Michigan Regional Planning Commission maintains one individual governmental fund, the General Operations Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budgetary information as it relates to the actual revenues and expenditures for the General Operations Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Commission. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of September 30, 2006, the Commission's net assets from governmental activities totaled \$88,487.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., leasehold improvement and office furniture and equipment). These assets are used to provide services to the Commission's members, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$84,439. This represents the amount of discretionary resources that can be used for general governmental operations.

Governmental Activities. The most significant change occurring between fiscal year 2005 and 2006 on the Statement of Net Assets is the decrease in current assets and current liabilities because grant revenues received in advance and shown as deferred revenue in the prior year were not received in advance in the current year.

West Michigan Regional Planning Commission

Management's Discussion and Analysis

Net Assets

	Governmental Activities	
	2006	2005
Current assets and other assets	\$ 97,902	\$ 118,886
Capital assets	4,048	5,010
Total assets	101,950	123,896
Current liabilities	13,463	24,995
Net assets		
Invested in capital assets, net of related debt	4,048	5,010
Unrestricted	84,439	93,891
Total net assets	\$ 88,487	\$ 98,901

Governmental activities net assets decreased by \$10,414 (10.5%) during the 2006 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Change in Net Assets

	Governmental Activities	
	2006	2005
Revenues:		
Program revenues		
Charges for services	\$ 6,384	\$ 7,142
Operating grants and contributions	162,674	165,500
General revenues		
Membership dues	38,482	36,978
Unrestricted investment earnings	1,730	1,188
Miscellaneous	2,082	822
Total revenues	211,352	211,630
Expenses:		
Transportation planning	69,023	60,353
Economic development	75,352	56,151
Hazard mitigation	9,524	9,599
Community planning	14,332	18,835
General administration	53,535	58,741
Total expenses	221,766	203,679
Change in net assets	(10,414)	7,951
Net assets - Beginning	98,901	90,950
Net assets - Ending	\$ 88,487	\$ 98,901

Governmental Activities. Expenses increased in fiscal year 2006 primarily due to the write-off of \$9,470 of Hazard Mitigation receivables that the Commission believes to be uncollectible. Salaries and wages increased about \$9,700 across categories due to raises and because the Commission had an extra planner on staff for one month.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Commission's governmental fund is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the West Michigan Regional Commission governmental funds reported an unreserved fund balance of \$90,533. This is a decrease of \$7,861 from the previous year. As a grant-driven organization, the Commission normally budgets for a break-even year. The current year decrease is due to the write-off of receivables that the Commission believes to be uncollectible.

General Fund Budget

During the current fiscal year, the Commission made several amendments to its original budget. The most significant of those is listed below:

- The federal revenue budget was increased from \$101,500 to \$125,040 because the Commission received two new grants during the year for non-motorized mapping and transit services studies.
- The state revenue budget was increased from \$121,467 to \$128,602 because the Commission received two new grants during the year for non-motorized mapping and transit services studies.
- Charges for services increased from zero to \$6,600 because the Commission was hired by two Townships to perform community plans during the year.
- The other expenditures budget was increased from \$22,399 to \$45,224. The Commission budgets for a breakeven year and uses the other expenditures category to balance the budget.
- The indirect costs budget was increased from \$68,100 to \$80,900 to reflect higher anticipated administrative expenditures associated with the program budget increases listed above.

West Michigan Regional Planning Commission

Management's Discussion and Analysis

The following comments summarize the major variations from the final budget to actual revenues and expenditures. Federal revenues were less than budgeted because the Commission did not spend all of the Michigan Economic Development Corporation grants. State revenues were less than budgeted because the Commission did not spend the entire MDOT Asset Management grant. Other expenditures were under budget due to lower than anticipated other costs. Indirect costs were under budget primarily because a higher percentage of salaries, wages and fringe benefits were allocated as direct costs than anticipated.

Capital Assets

The West Michigan Regional Planning Commission's investment in capital assets for its governmental activities as of September 30, 2006 totaled \$4,048 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and office furniture and equipment.

The Commission purchased GIS software for \$1,214 for the MDOT non-motorized transportation grant. There were no capital disposals in 2006. Depreciation expense for the year was \$2,176.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities	
	2006	2005
Leasehold improvements	\$ 748	\$ 1,565
Office furniture and equipment	3,300	3,445
Total	<u>\$ 4,048</u>	<u>\$ 5,010</u>

Additional information on the Commission's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

Long-Term Debt

At the end of the fiscal year, the Commission had total debt outstanding of \$6,094 consisting entirely of compensated absences.

General Economic Overview

The Commission's funding is primarily comprised of two major revenue sources, Michigan Department of Transportation (MDOT), including the Michigan Transportation Asset Management Council and Economic Development Administration (EDA) grants. Those two sources comprised over 62% of the Commission's revenue sources. There are potential changes in grant funding at the EDA in the future, but we anticipate no decrease in EDA funding next year. MDOT grant revenues are also expected to remain steady.

The Commission expects expenditures in 2007 for salaries and wages to increase slightly. Health insurance is expected to increase in 2007 because the Commission will have an additional employee on the plan. All other expenditure items are expected to remain steady.

Requests for Information

This financial report is designed to provide a general overview of the West Michigan Regional Planning Commission's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the West Michigan Regional Planning Commission, 820 Monroe NW, Suite 214 Grand Rapids, MI 49503 (616) 774-8400.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

October 19, 2006

Board of Directors
West Michigan Regional Planning Commission
Grand Rapids, Michigan

We have audited the accompanying financial statements of the West Michigan Regional Planning Commission as of and for the year ended September 30, 2006, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Michigan Regional Planning Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Michigan Regional Planning Commission, as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vi and 16 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Michigan Regional Planning Commission's basic financial statements. The accompanying supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



West Michigan Regional Planning Commission
STATEMENT OF NET ASSETS
September 30, 2006

ASSETS

CURRENT ASSETS

Cash and investments	\$ 47,957
Due from other governmental units	<u>49,945</u>
Total current assets	97,902

NONCURRENT ASSETS

Capital assets, net	
Depreciable	<u>4,048</u>
Total assets	101,950

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	6,166
Deferred revenue	1,203
Compensated absences	<u>6,094</u>
Total current liabilities	<u>13,463</u>

NET ASSETS

Invested in capital assets	4,048
Unrestricted	<u>84,439</u>
Total net assets	<u><u>\$ 88,487</u></u>

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission
STATEMENT OF ACTIVITIES
For the year ended September 30, 2006

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Operating grants and contributions	Governmental activities
Governmental activities				
Transportation planning	\$ 69,023	\$ -	\$ 88,441	\$ 19,418
Economic development	75,352	3,000	65,176	(7,176)
Hazard mitigation	9,524	-	-	(9,524)
Community planning	14,332	3,384	9,057	(1,891)
General administration	53,535	-	-	(53,535)
Total governmental activities	<u>\$ 221,766</u>	<u>\$ 6,384</u>	<u>\$ 162,674</u>	<u>(52,708)</u>
General revenues				
Membership dues				38,482
Unrestricted investment earnings				1,730
Miscellaneous				<u>2,082</u>
Total general revenues				<u>42,294</u>
Change in net assets				(10,414)
Net assets at October 1, 2005				<u>98,901</u>
Net assets at September 30, 2006				<u>\$ 88,487</u>

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission
BALANCE SHEET
Governmental Fund
September 30, 2006

ASSETS

Cash and investments	\$ 47,957
Due from other governmental units	<u>49,945</u>
Total assets	<u><u>\$ 97,902</u></u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 3,602
Accrued liabilities	2,564
Deferred revenue	<u>1,203</u>
Total liabilities	7,369

Fund balance

Unreserved	<u>90,533</u>
Total liabilities and fund balance	<u><u>\$ 97,902</u></u>

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
September 30, 2006

Total fund balance—governmental funds	\$	90,533
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$	23,308	
Accumulated depreciation		<u>(19,260)</u>	4,048

Long-term liabilities, including compensated absences, are not due and payable
in the current period and therefore are not reported in the governmental fund.

<u>(6,094)</u>

Net assets of governmental activities in the Statement of Net Assets

\$	<u><u>88,487</u></u>
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The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Governmental Fund
For the year ended September 30, 2006

REVENUES

Intergovernmental revenues	
Federal	\$ 89,550
State	73,124
Local	3,000
Membership dues	38,482
Charges for services	3,384
Investment earnings	1,730
Other	2,082
	<hr/>
Total revenues	211,352

EXPENDITURES

Current	
Transportation planning	69,441
Economic development	74,557
Hazard mitigation	9,524
Community planning	14,332
General administration	51,359
	<hr/>
Total expenditures	219,213
	<hr/>

Net change in fund balance	(7,861)
Fund balance at October 1, 2005	98,394
	<hr/>
Fund balance at September 30, 2006	\$ 90,533
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2006

Net change in fund balance—governmental fund	\$	(7,861)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(2,176)	
Capital outlay		<u>1,214</u>	(962)

Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.

(1,591)

Change in net assets of governmental activities	\$	<u><u>(10,414)</u></u>
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The accompanying notes are an integral part of this statement.

West Michigan Regional Planning Commission
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of West Michigan Regional Planning Commission (Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting Entity

West Michigan Regional Planning Commission is a voluntary association of seven counties and four cities within western Michigan, encompassing 170 local governmental units and a population of 800,000. The Commission was organized to implement and coordinate various area-wide planning functions, to serve as a regional conduit for federal and state grants affecting local governments, to provide professional and technical expertise not readily available to local governments and to operate certain specialty programs affecting multiple governments spread out over a large geographical area. The operations of the Commission are financed primarily by federal, state and local grants and membership contributions. The Commission does not have the power to levy taxes and, accordingly, its level of operations is dependent upon the amount of voluntary membership contributions received that can be used for local matching shares of grant participation programs.

Generally accepted accounting principles require that if the Commission has certain oversight responsibilities over other organizations, those organizations should be included in the Commission's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Commission. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Commission has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Revenues not properly included among program revenues are reported instead as general revenues.

The Commission has only one fund, the General Operations Fund, which is a governmental fund.

West Michigan Regional Planning Commission
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Reimbursements due for expenditure-driven grants are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission reports the following major governmental fund:

The General Operations Fund is used to control the expenditures of various federal, state and local monies distributed to the Commission, to be expended according to various grant and professional service agreements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

West Michigan Regional Planning Commission
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Commission reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Commission intends to hold the investment until maturity.

The Commission has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Commission to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

All trade receivables are shown net of allowance for uncollectibles.

Capital Assets

Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Leasehold improvements and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	3
Office furniture and equipment	5-7

West Michigan Regional Planning Commission
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Compensated Absences

Commission employees are granted vacation and sick leave in varying amounts based on length of service. Upon termination, employees are paid for unused vacation at their current rates. Sick leave pay does not vest with the employee and is payable only in the event of absences due to illness. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations. However, comparative data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to read.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. All annual appropriations lapse at fiscal year end.

The Commission follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to September 30, the Board of Directors reviews a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is legally enacted through passage of a resolution before October 1.
- c. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Board of Directors.

The appropriated budget is prepared by expenditure line item. Budgets are also adopted on a project by project basis as a management tool. The legal level of budgetary control is the expenditure line level. The Board of Directors made several supplemental budgetary appropriations throughout the year.

West Michigan Regional Planning Commission
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2006

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Commission does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of September 30, 2006, none of the Commission's bank balance of \$57,231 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Commission does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Commission is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	Balance October, 1 2005	Additions	Deductions	Balance September 30, 2006
Capital assets, being depreciated:				
Leasehold improvements	\$ 2,450	\$ -	\$ -	\$ 2,450
Office furniture and equipment	19,644	1,214	-	20,858
Total capital assets, being depreciated	22,094	1,214	-	23,308
Less accumulated depreciation:				
Leasehold improvements	885	817	-	1,702
Office furniture and equipment	16,199	1,359	-	17,558
Total accumulated depreciation	17,084	2,176	-	19,260
Capital assets, net	\$ <u>5,010</u>	\$ <u>(962)</u>	\$ <u>-</u>	\$ <u>4,048</u>

Depreciation

Depreciation expense was charged to functions as follows:

General administration \$ 2,176

West Michigan Regional Planning Commission
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2006

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Commission for the year ended September 30, 2006.

	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006	Due within one year
Compensated absences	\$ 4,503	\$ 5,951	\$ 4,360	\$ 6,094	\$ 6,094

NOTE F—OTHER INFORMATION

Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Commission carries commercial insurance for general liability, workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE G—PENSION PLAN

Defined Contribution Plan

The Commission provides pension benefits for its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan is administered through Lincoln Life, an independent third party. The Commission is required to contribute an amount equal to 4 percent of the qualified employees' annual compensation each plan year. Participants are not required to contribute to the plan. For the year ended September 30, 2006, pension expense was approximately \$4,300.

West Michigan Regional Planning Commission
NOTES TO FINANCIAL STATEMENTS—CONTINUED
September 30, 2006

NOTE H—LEASES

The Commission conducts its operations in an office under an operating lease that expires in October 2009. The lease requires current monthly rentals of \$852 and the payment of certain occupancy costs. Rent expense was \$11,881 for the year ended September 30, 2006. The future minimum lease payments for this lease are as follows:

Year ending <u>September 30,</u>	<u>Amount</u>
2007	\$ 10,580
2008	10,612
2009	<u>10,612</u>
	<u>\$ 31,804</u>

NOTE I—ECONOMIC DEPENDENCY

Michigan Department of Transportation grants and Economic Development Administration grants account for 42 percent and 19 percent of general operations revenue, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

West Michigan Regional Planning Commission
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Operations Fund
For the year ended September 30, 2006

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Intergovernmental revenues				
Federal	\$ 101,500	\$ 125,040	\$ 89,550	\$ (35,490)
State	121,467	128,602	73,124	(55,478)
Local	4,000	3,000	3,000	-
Membership dues	38,482	38,482	38,482	-
Charges for services	-	6,600	3,384	(3,216)
Investment earnings	500	1,000	1,730	730
Other	500	300	2,082	1,782
Total revenues	266,449	303,024	211,352	(91,672)
EXPENDITURES				
Current				
Salaries and wages	106,200	106,200	104,090	2,110
Fringe benefits	25,500	25,500	21,490	4,010
Travel and conferences	13,200	13,200	10,957	2,243
Contractual services	15,600	15,600	7,698	7,902
Office costs	13,150	14,100	9,889	4,211
Professional development	2,300	2,300	2,732	(432)
Other	22,399	45,224	11,044	34,180
Indirect costs	68,100	80,900	51,313	29,587
Total expenditures	266,449	303,024	219,213	83,811
Net change in fund balance	\$ -	\$ -	(7,861)	\$ (7,861)
Fund balance at October 1, 2005			98,394	
Fund balance at September 30, 2006			\$ 90,533	

OTHER SUPPLEMENTAL INFORMATION

West Michigan Regional Planning Commission
STATEMENT OF REVENUES AND EXPENDITURES
Michigan Department of Transportation Grants
For the year ended September 30, 2006
(with comparative actual amounts for the year ended September 30, 2005)

	<u>2006</u>	<u>2005</u>
REVENUES		
Intergovernmental revenues		
Federal	\$ 15,317	\$ 1,500
State	73,124	78,809
Local	<u>1,844</u>	<u>832</u>
Total revenues	90,285	81,141
 EXPENDITURES		
Current		
Salaries and wages	42,283	34,653
Fringe benefits	8,730	7,504
Travel and conferences	5,497	4,558
Contractual services	7,234	10,480
Office costs	3,873	2,264
Professional development	1,106	620
Other	718	274
Indirect costs	<u>20,844</u>	<u>20,788</u>
Total expenditures	<u>90,285</u>	<u>81,141</u>
 Excess of revenues over (under) expenditures	 \$ <u><u>-</u></u>	 \$ <u><u>-</u></u>

West Michigan Regional Planning Commission
STATEMENT OF REVENUES AND EXPENDITURES
 Economic Development Grants
 For the year ended September 30, 2006
 (with comparative actual amounts for the year ended September 30, 2005)

	2006				2005
	Planning Assistance Programs				
	06-83- 04994	06-83- 05081	06-86- 05003	Total	
REVENUES					
Intergovernmental revenues					
Federal	\$ 22,573	\$ 24,611	\$ 17,993	\$ 65,177	\$ 56,245
Local	6,218	8,204	17,112	31,534	19,479
Total revenues	28,791	32,815	35,105	96,711	75,724
EXPENDITURES					
Current					
Salaries and wages	14,494	15,596	19,217	49,307	37,560
Fringe benefits	2,993	3,220	3,967	10,180	8,133
Travel and conferences	962	2,848	491	4,301	4,737
Office costs	2,440	1,210	1,957	5,607	2,184
Professional development	481	1,680	-	2,161	97
Other	275	573	-	848	481
Indirect costs	7,146	7,688	9,473	24,307	22,532
Total expenditures	28,791	32,815	35,105	96,711	75,724
Excess of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

West Michigan Regional Planning Commission
COMPUTATION OF FRINGE BENEFIT RATE
For the year ended September 30, 2006

ACTUAL COST OF FRINGE BENEFITS

Social Security and Medicare payroll taxes	\$	9,368
Health insurance		4,022
Life insurance		552
Disability insurance		1,201
Retirement		4,337
Tuition reimbursement		1,788
Michigan unemployment compensation		2,086
Worker's compensation		730
Dental and optical		<u>1,209</u>
Total cost of fringe benefits	\$	<u><u>25,293</u></u>

COMPUTATION OF ACTUAL FRINGE BENEFIT RATE

Total cost of fringe benefits	\$	25,293
Gross salaries	\$	<u>122,508</u>
Actual fringe benefit rate		<u><u>20.65%</u></u>

West Michigan Regional Planning Commission
COMPUTATION OF INDIRECT COST RATE
For the year ended September 30, 2006

DISTRIBUTABLE INDIRECT COSTS

Salaries and wages	\$ 18,418
Fringe benefits	3,803
Travel and conferences	626
Contractual services	2,190
Office costs	19,900
Professional development	750
Other	<u>5,626</u>
Total indirect costs	<u><u>\$ 51,313</u></u>

COMPUTATION OF DIRECT SALARY AND FRINGE BENEFIT BASE

Direct labor dollars	
Gross salaries	\$ 122,508
Less indirect salaries	<u>(18,418)</u>
Total direct labor dollars	104,090
Direct fringe benefit dollars	
Fringe benefits	25,293
Less indirect fringe benefits	<u>(3,803)</u>
Total direct fringe benefit dollars	<u>21,490</u>
Total direct salaries and fringe benefits	<u><u>\$ 125,580</u></u>

COMPUTATION OF INDIRECT COST RATE

Indirect cost	\$ 51,313
Direct salaries and fringe benefits	<u>\$ 125,580</u>
Indirect cost rate	<u><u>40.86%</u></u>